



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 511** HLS 23RS 765
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: June 6, 2023	8:16 AM	Author: ILLG
Dept./Agy.: Insurance		Analyst: Deborah Vivien
Subject: Increases allowable annual LIGA assessment to 2%		

INSURANCE EGF SEE FISC NOTE GF RV See Note Page 1 of 1
 Provides relative to the Louisiana Insurance Guaranty Association

Current law authorizes the Louisiana Insurance Guaranty Association (LIGA) to annually assess insurers to fund LIGA obligations in an amount up to 1% of premiums sold in the state in the prior calendar year. Current law allows for a non-refundable premium tax credit in the amount of the 100% LIGA assessment to be taken over ten years. The credit must be taken in the year in which the credit is paid. Insurers may choose to pass the assessment through to ratepayers or claim the premium tax credit, but not both.

Proposed law increases the maximum percentage for the annual LIGA assessment from 1% to 2% of the preceding calendar year premiums written beginning prospectively on January 1, 2024. Proposed law limits the non-refundable premium tax credit to up to half of the maximum assessment. Proposed law repeals the provision allowing a reduced current year LIGA assessment payment if the prior year tax liability is less than the LIGA credit.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Department of Insurance indicates that the requirements in the bill can be accommodated with current resources.

REVENUE EXPLANATION

LIGA determines an amount each year to assess insurers writing policies in the state to cover claims that are transferred to LIGA when an insurance company can no longer cover its obligations. The proposed bill will allow LIGA to assess up to an additional 1% of premiums each year. Insurance companies paying the assessment become eligible for a premium tax credit of 100% of the LIGA assessment taken in equal installments over 10 years, though they may opt instead to pass the costs through to the ratepayers. **While the bill increases the maximum allowable assessment to 2%, it limits the premium tax credit to half of the maximum allowable credit or 1%, which is the same state fisc exposure as current law. The bill appears to ensure that the newly authorized assessment will be borne by the ratepayers.** The currently authorized assessment of up to 1% would presumably operate in the same manner as current law with the insurers having the option to take 10 years of premium tax credits or immediately pass the assessment cost through to ratepayers.

However, the bill does not mandate an annual assessment; it merely authorizes an increase in the maximum assessment beginning in CY 2024. The decision to levy an assessment on insurers lies solely with LIGA. From testimony, it appears evident that the new assessment will be levied to pay on-going LIGA obligations.

The provision in the bill repealing the allowance of a reduced LIGA payment due to insufficient liability against LIGA credits can only serve to increase LIGA collections, though the amount is indeterminate at this time and speculative. The LIGA assessment only recently commenced so the need for the offset is not certain. Any use of the offset would be predicated on future net premium tax liabilities, which are unknown.

Currently, LIGA is assessing a premium of 1% annually, which is pledged to \$600 M bonds, which were sold in FY 22 to allow for more timely payouts of LIGA claims. The premium tax credit arising from the current LIGA assessment will offset state general fund by about \$10-11 M per year, peaking at about \$110 M-\$120 M in FY 32, assuming insurance premiums remain relatively constant. It is expected that annual assessments will continue through the life of the bonds or about 2037.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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